

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2615 - HB 2846

March 10, 2012

SUMMARY OF BILL: Requires the state to implement, within the TennCare and CoverKids programs, provider data verification and provider screening technology solutions to check healthcare billing and provider rendering data against a continually maintained provider information database. Requires the state to implement state-of-the-art clinical code editing technology solutions to automate claims resolution and cost containment. Requires the state to implement state-of-the-art predictive modeling and analytics technologies to provide a comprehensive view of all providers, beneficiaries, and geographies. Requires the state to implement fraud investigative services that combine retrospective claims analysis and prospective waste, fraud, or abuse detection techniques. Requires the state to implement Medicaid and CoverKids claims audit and recovery services. Requires the state to contract with The Cooperative Purchasing Network (TCPN) to issue a request for proposals to select a contractor or use the contractor process established in the bill. Requires the Bureau of TennCare to provide certain reports to the appropriate committees of the General Assembly after the first, second, and third years of implementation. Requires the state to implement a centralized database of all claims-based data for Medicaid, CoverKids, or other public health programs.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$2,535,900/One-Time
\$507,200/Recurring**

**Increase Federal Expenditures - \$4,964,100/One-Time
\$992,800/Recurring**

Assumptions:

- The provisions of the bill require that the Recovery Audit Contractor (RAC) offer predictive modeling technology and a shared savings approach for the contracting.
- According to the Bureau of TennCare, the program currently contracts with a RAC for after payment review that is paid on a 12 percent contingency fee contract for recoveries.
- The Centers for Medicare and Medicaid Services (CMS) will not allow the rate to be determined solely on a bid basis without limits. Historically, CMS has limited the amount of recovery on contingency fee contracts. The current RAC contract limit is based on Medicare's maximum contract rates of 12.5 percent for all claims except durable medical equipment which has recently been increased to 17.5 percent.

- Based on CMS's stance and the current RAC contracted contingency rate, TennCare estimates that additional savings will not be realized.
- According to the Bureau of TennCare, a centralized database of all claims data for the Medicaid and CoverKids programs does not exist. Also, the provisions of the bill require the claims data in the database to be unadulterated by processing through another processing system. This will exclude the current TennCare encounter data. TennCare will have to build the IT infrastructure to meet these requirements.
- According to TennCare, the one-time increase in expenditures to build the IT infrastructure is \$7,500,000 which includes \$3,000,000 for hardware and software licensing and \$4,500,000 for application design and development. Of this amount, \$2,535,900 will be state funds at a rate of 33.812 percent and \$4,964,100 will be federal funds at a 66.188 percent match rate.
- There will be a recurring increase in expenditures of \$1,500,000 for annual operations costs. Of this amount, \$507,180 will be state funds at a rate of 33.812 percent and \$992,820 will be federal funds at a 66.188 percent match rate.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/kml